

Center for Medicaid and State Operations/Survey and Certification Group

Ref: S&C-08-24

DATE: June 6, 2008

TO: State Survey Agency Directors

FROM: Director
Survey and Certification Group

SUBJECT: **Alert:** Medicare Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) Competitive Bidding Replaces the Current Fee Schedule Payment Amounts for Selected Items in Selected Areas

Memorandum Summary

- We are taking this opportunity to bring to your attention a recent change in the way payment is made for durable medical equipment to DMEPOS suppliers.
- This is for your information only. Surveyors, especially those surveying home health agencies, hospices, and nursing homes should be aware of this change in payment in the event questions arise during the course of a survey.
- This memo serves as a vehicle to provide information concerning this payment change.

Background

Section 1847 of the Social Security Act mandates that competitive bidding payment amounts replace the current Medicare Durable Medical Equipment, Prosthetics, Orthotics and Supplies (DMEPOS) fee schedule payment amounts for selected items in selected areas. The Medicare Modernization Act of 2003 (MMA), Section 302, established these requirements for a new competitive bidding program for certain DMEPOS.

Purpose

The purpose of this change is to improve the effectiveness of the Medicare methodology for setting DMEPOS payment amounts, which will reduce beneficiary out-of-pocket expenses.

Change

This program changes the way that Fee-For-Service (FFS) Medicare pays for these items under Part B of the Medicare program by using bids submitted by DMEPOS suppliers to establish payment amounts.

DME Suppliers Selected

A total of 325 suppliers receiving 1,345 contracts were selected for the ten Round 1 communities. To participate in the program, suppliers were required to meet Medicare's financial and quality standards. In addition, suppliers had to be accredited by one of CMS' approved accrediting organizations to be eligible to receive a contract.

Location of Implementation

The program will start in competitive bidding areas (CBAs) defined by zip codes within **ten** of the largest Metropolitan Statistical Areas (MSAs). The MSAs in Round 1 include

- Charlotte
- Cincinnati
- Cleveland
- Dallas
- Kansas City
- Miami
- Orlando
- Pittsburgh
- Riverside
- San Juan

The program will expand to 70 additional MSAs in 2009 and additional areas after 2009.

Product Categories

The 10 product categories included in the program for the first 10 areas are:

1. Oxygen supplies and equipment;*
2. Standard power wheelchairs, scooters, and related accessories (includes wheelchair cushions);
3. Complex rehabilitative power wheelchairs and related accessories (includes wheelchair cushions);*
4. Mail-order diabetic supplies;
5. Enteral nutrients, equipment, and supplies;*
6. Continuous Positive Airway Pressure (CPAP) devices and Respiratory Assist Devices (RADs) and related supplies;
7. Hospital beds and related accessories;*
8. Negative pressure wound therapy devices and related supplies and accessories;* +
9. Walkers and related accessories; and
10. Group 2 support surfaces including mattresses and overlays (in Miami-Fort Lauderdale-Miami Beach only).

* These items are not included in Puerto Rico.

+ These items are not included in Kansas City.

Impact: People with Medicare living in one of the CBAs will need to choose a new supplier if their current supplier is not a contract supplier or a supplier who may be allowed to offer items and supplies as a grandfathered supplier. Grandfathered suppliers are those who chose to continue to provide certain rented durable medical equipment, oxygen and oxygen equipment for existing clients.

Consumers, physicians, and other providers can find a list of Medicare contract suppliers in the 10 initial areas of the program by visiting www.medicare.gov (under “Search Tools” select “Find Suppliers of Medical Equipment in Your Area”) or by calling 1-800-MEDICARE (TTY users should call 1-877-486-2048). People can also visit the local offices of the various partner groups, such as their State Health Insurance and Assistance Program, Area Office on Aging and a number of community organizations that can provide information on the program.

Savings: As a result of the competitive bidding process, the amounts that Medicare will pay for the 10 product categories included in Round 1 of the DMEPOS Competitive Bidding Program overall average 26 percent less than Medicare’s previous payment amounts. Savings for beneficiary out-of-pocket cost and Medicare range from 14 percent on negative pressure wound therapy devices and accessories up to as much as 43 percent on mail-order diabetic supplies.

Effective Date: The MMA required the Competitive Bidding Program to be phased in beginning in 10 of the largest Metropolitan Statistical Areas (MSAs). The new payment amounts will be effective on July 1, 2008 for these 10 areas. In 2009 the program will be expanded into 70 additional MSAs and into additional areas thereafter.

Attachments: Attached is an announcement of an upcoming national call for those interested in learning more about this program and directions to the CMS Web sites for additional educational materials. Also included are some questions and answers that may be helpful for the survey field to know.

/s/

Thomas E. Hamilton

cc: Survey and Certification Regional Office Management

Attachments

Additional Available Information

1. CMS To Host National Provider Call for Referral Agents and Non-contract Suppliers for the DMEPOS Competitive Bidding Program

CMS will host a national audio call to address additional questions on the DMEPOS Competitive Bidding Program being implemented on July 1, 2008. The call will be held on June 12 from 1:00 – 2:30 PM EDT. This call will not address contract supplier issues, but will instead focus on questions from non-contract suppliers and referral agents (Medicare providers who order or refer DMEPOS in the 10 Competitive Bidding Areas (CBAs).

Please note -- Participants will be able to submit questions through the online registration system at the time of sign up for the call. Registration details follow:

Conference call details:

Date: June 12, 2008
Conference Title: Medicare DMEPOS Competitive Bidding Program Q and A Session
Time: 1:00-2:30 p.m. EDT

In order to receive the call-in information, you must register for the call. It is important to note that if you are planning to sit in with a group, only one person needs to register to receive the call-in data. This registration is solely to reserve a phone line, NOT to allow participation. If you cannot attend the call, replay information is available below.

Registration will close at 1:00 p.m. EDT on June 11, 2008, or when available space has been filled. No exceptions will be made, so please be sure to register prior to this time.

To register for the call participants need to go to:
<http://www2.eventsvc.com/palmettogba/061208>

Fill in all required data.

Verify your time zone is displayed correctly the drop down box.

Click "Register".

You will be taken to the "Thank you for registering" page and will receive a confirmation email shortly thereafter. Note: Please print and save this page, in the event that your server blocks the confirmation emails. If you do not receive the confirmation email, please check your spam/junk mail filter as it may have been directed there.

For those of you who will be unable to attend, a replay option will be available shortly following the end of the call. This replay will be accessible from 3:00 p.m. EDT 6/12/2008 until 11:59 p.m. EDT 6/17/2008. The call in data for the replay is (800) 642-1687 and the passcode is 49895703.

2. New Medicare Learning Network (MLN) Matters Article on CMS Medicare Manual Section Covering the DMEPOS Competitive Bidding Program

On May 9, CMS issued CR 5978 “Phase 1 of Manual Revisions to Reflect Payment Changes for DMEPOS Items as a Result of the DMEPOS Competitive Bidding Program and the Deficit Reduction Act (DRA) of 2005”. The companion MLN MM5978 article is now available.

CR 5978 is the first of several installments in adding a new chapter (Chapter 36) to the existing Claims Processing Manual in an effort to manualize policies and instructions for Medicare Contractors on the DMEPOS Competitive Bidding Program. MLN Matters (MM) 5978 is designed to help Medicare providers gain a broad understanding of all aspects of the new program, including when non-contract suppliers should obtain a signed Advance Beneficiary Notice (ABN) which indicates that the beneficiary was informed in writing prior to receiving the item that there would be no Medicare coverage due to the supplier’s contract status, and that the beneficiary understands that he/she will be liable for all costs that the non-contract supplier may charge the beneficiary for the item.

This manual section, in conjunction with the provider tip sheets upcoming and already released can help providers gain a quick and thorough understanding of the program.

MM5978 can be found at, <http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM5978.pdf>. It will also be available on the CMS dedicated website at, <http://www.cms.hhs.gov/DMEPOSCompetitiveBid>. Just click on the Provider Educational Products and Resources tab and scroll down to the “Downloads” section. All 2008 MLN Matters on the DME Competitive Bidding Program are maintained here.

Possible relevant Qs and As:

HHA/Hospice

Q1. Can home health and hospice agencies that are not contract suppliers continue to furnish competitively bid durable medical equipment (DME) to beneficiaries under Part B in competitive bidding areas (CBAs)?

A1. No. The competitive bidding program applies to certain DME paid under Part B. The program requires CMS to award contracts for furnishing these items and services in CBAs. If an item of DME is currently paid separately under the standard Part B fee schedule payment rules, and the item is included in a competitive bidding program, only contract suppliers may furnish the item to beneficiaries in a CBA.

If a home health agency or hospice agency currently furnishes DME included in competitive bidding in a CBA and is paid under Part B on a fee schedule basis for these items, it will need to become a contract supplier under the competitive bidding program in order to continue furnishing these items. Contract suppliers must furnish every item in a product category to any beneficiary with a permanent residence in the CBA. If a home health or hospice agency is not awarded a contract to furnish DME included in competitive bidding in a specific CBA, it will need to arrange for these items and services to be furnished by a contract supplier to any patient that is a beneficiary with a permanent residence in the CBA.

We note that Medicare payment for DME furnished by hospice agencies in the course of providing hospice services is bundled into the Part A payment for the hospice services. Therefore, the only time a hospice agency would receive separate payment under Part B for DME is when the DME is not furnished in the course of providing hospice services paid under Part A. In these situations, the hospice is acting as a supplier of DME. A hospice does not need to become a contract supplier to furnish DME that is bundled into the Part A hospice payment. Separate Medicare payment may also be made under Part B for DME furnished directly to Medicare beneficiaries receiving home health services by home health agencies or under arrangement with a supplier.

SNFs/NFs

Q2. Do skilled nursing facilities (SNFs) and nursing facilities (NFs) need to meet quality standards and accreditation requirements to become contract suppliers?

A2. Yes. SNFs and NFs that want to participate in the Medicare DMEPOS Competitive Bidding Program, including SNFs and NFs that want to participate as specialty suppliers that only furnish competitively bid items to their own residents, must meet the same quality standards and accreditation requirements that apply to all other bidders.

Q3. Is it acceptable for a supplier that is affiliated with a chain of nursing homes to bid to provide services ONLY to chain facilities located within the competitive bidding areas (CBAs)?

A3. No. Only skilled nursing facilities (SNFs) and nursing facilities (NFs) may elect to participate in the program as “specialty suppliers” that furnish competitively bid items only to their own residents. This option is not available for other suppliers. Chain affiliated suppliers must agree to service the entire CBA, not just beneficiaries in affiliated SNFs and NFs.